



House of Representatives

General Assembly

File No. 194

February Session, 2018

Substitute House Bill No. 5371

House of Representatives, April 4, 2018

The Committee on Higher Education and Employment Advancement reported through REP. HADDAD of the 54th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ESTABLISHING THE FREE 2 START SCHOLARSHIP PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2018*) (a) As used in this section:
- 2 (1) "Award" means (A) the unpaid portion, if any, of a qualifying
- 3 student's eligible institutional costs after subtracting his or her
- 4 financial aid, or (B) five hundred dollars, whichever is greater;
- 5 (2) "Eligible institutional costs" means the tuition and required fees
- 6 for an individual student at a regional community-technical college
- 7 that are published by the regional community-technical college;
- 8 (3) "Financial aid" means the sum of all scholarships, grants and
- 9 federal, state and institutional aid received by a qualifying student.
- 10 "Financial aid" does not include any federal, state or private student
- 11 loans received by a qualifying student;

12 (4) "Qualifying student" means any person who (A) graduated from
13 a public or nonpublic high school in the state not more than two years
14 prior to enrolling at a regional community-technical college, (B) enrolls
15 as a full-time student for the fall semester of 2018 or any semester
16 thereafter, for the first time at a regional community-technical college
17 and continues to be enrolled as a full-time student at a regional
18 community-technical college, (C) is classified as an in-state student
19 pursuant to section 10a-29 of the general statutes, (D) is making
20 satisfactory academic progress while enrolled at a regional
21 community-technical college, (E) has completed the Free Application
22 for Federal Student Aid or an institutionally approved student aid
23 application, (F) has an expected family contribution, as computed from
24 the student's Free Application for Federal Student Aid, of five
25 thousand three hundred dollars or less, and (G) has accepted all
26 available financial aid; and

27 (5) "Full-time student" means a student who is enrolled at a regional
28 community-technical college and who is carrying (A) twelve or more
29 semester credit hours in a semester, or (B) thirty or more semester
30 credit hours in an academic year.

31 (b) The Board of Regents for Higher Education shall establish a Free
32 2 Start Scholarship program to annually make awards to qualifying
33 students for eligible institutional costs. An award shall be available to a
34 qualifying student for the first two academic years at a regional
35 community-technical college, provided the qualifying student meets
36 and continues to meet the requirements of this section.

37 (c) Each regional community-technical college shall conduct a
38 financial and academic audit to determine the number of qualifying
39 students enrolled at the regional community-technical college during
40 each semester and the amount of the award to be made to each
41 qualifying student. A regional community-technical college shall not
42 use an award to supplant any state or institutional aid otherwise
43 available to a qualifying student. The amount of the annual
44 appropriation to be allocated to each regional community-technical

45 college for the Free 2 Start Scholarship program shall be the sum of all
46 awards made to qualifying students enrolled at the regional
47 community-technical college during each semester. If the total eligible
48 institutional costs for qualifying students exceeds the amount of the
49 annual appropriation for the Free 2 Start Scholarship program in any
50 year, the Board of Regents for Higher Education shall prioritize
51 allocations in accordance with criteria developed by the board. Not
52 later than September first and February first, annually, each regional
53 community-technical college shall report such award data to the Board
54 of Regents for Higher Education. Each regional community-technical
55 college shall expend all of the moneys received under the Free 2 Start
56 Scholarship program as direct financial assistance only for eligible
57 institutional costs.

58 (d) Any qualifying student receiving an award under this section
59 shall participate in a volunteer-based mentorship and counseling
60 program, as prescribed by the Board of Regents for Higher Education.

61 (e) Not later than January 1, 2019, and annually thereafter, the Board
62 of Regents for Higher Education shall submit a report, in accordance
63 with the provisions of section 11-4a of the general statutes, to the joint
64 standing committees of the General Assembly having cognizance of
65 matters relating to higher education and employment advancement
66 and appropriations regarding the Free 2 Start Scholarship program.

67 Sec. 2. (*Effective July 1, 2018*) The Planning Commission for Higher
68 Education, established pursuant to section 10a-11b of the general
69 statutes, shall design and develop an implementation plan for a
70 scholarship program that provides awards to students to cover the
71 educational costs associated with full-time enrollment at public
72 institutions of higher education during the final two semesters of an
73 associate degree program and during the final four semesters of a
74 bachelor's degree program. In designing and developing the
75 implementation plan for the scholarship program, the commission
76 shall (1) develop eligibility criteria for students following an
77 examination of expected family contributions, as computed from a

78 student's Free Application for Federal Student Aid, (2) specify the total
79 amount of an award that a student may receive and which educational
80 costs will be covered by an award, (3) analyze the cost of administering
81 the scholarship program, (4) consider funding sources for creating and
82 sustaining the scholarship program, and (5) establish a time frame for
83 the commencement of the scholarship program. Not later than October
84 1, 2019, the commission shall submit a report, in accordance with the
85 provisions of section 11-4a of the general statutes, to the joint standing
86 committee of the General Assembly having cognizance of matters
87 relating to higher education that includes the design and
88 implementation plan for the scholarship program.

89 Sec. 3. (*Effective July 1, 2018*) The sum of five million dollars is
90 appropriated to the Board of Regents for Higher Education, from the
91 General Fund, for the fiscal year ending June 30, 2019, for the
92 administration of the Free 2 Start Scholarship program, established
93 pursuant to section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2018</i>	New section
Sec. 2	<i>July 1, 2018</i>	New section
Sec. 3	<i>July 1, 2018</i>	New section

Statement of Legislative Commissioners:

In Section 1, Subsec. (a)(4)(B) was rewritten for clarity.

HED *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Board of Regents for Higher Education	GF - Cost	5.0 million	Less than 11.6 million
Community Colleges	Tuition - Revenue Gain	655,000	1.7 million
State Universities	Tuition - Revenue Loss	Up to 1.0 million	Up to 1.1 million
Higher Ed., Off.	GF - Potential Cost	Up to 50,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill appropriates \$5.0 million in FY 19 to the Board of Regents for Higher Education to administer a new need-based community college scholarship program, Free 2 Start. The scholarship's cost in FY 20 is expected to be less than \$11.6 million. The scholarship will result in additional revenue to the community colleges and a revenue loss to the state universities.

Scholarship costs. The bill limits Free 2 Start funding to \$5 million in FY 19. It is estimated the scholarship will require less than \$6.9 million in FY 19, and less than \$11.6 million in FY 20. The bill specifies that if scholarship distributions would otherwise exceed the appropriation, the Board of Regents will prioritize allocations as it determines. This estimate is based on several factors described below.

- (1) The number of full-time first-time for-credit freshmen meeting

the scholarship's income limit (roughly, federal Pell Grant eligibility) at the community colleges is projected to be 3,135 freshmen in FY 19 and 3,219 in FY 20. This estimate includes an increase of five percent from FY 18 projected to FY 19, and an increase of ten percent from FY 18 projected to FY 20. These increases are included due to the research that an enrollment increase of at least ten percent is likely when a statewide need-based scholarship covering tuition and fees begins.

(2) The scholarship in FY 19 is available only to qualifying freshmen students, but thereafter is available for renewal in the sophomore year. Freshman-to-sophomore year retention for students who qualify for the scholarship is estimated to be 56 percent, based on recent retention rates for a group of similar Connecticut community college students. These factors result in 1,768 sophomores eligible for and receiving the scholarship in FY 20.

(3) The estimate relies on the most recent available Pell Grant distribution data for community college students nationwide to approximate the Pell Grant awards of Free 2 Start eligible students, and subtracts those Pell Grant awards from projected FY 19 and FY 20 community college tuition and fees to determine maximum Free 2 Start costs excluding Willis scholarship dollars (see below) or institutional aid. Students with Pell grant awards that come within \$500 of or exceed tuition and fees, will have Free 2 Start scholarships of \$500, which is included in the estimate.

(4) The total amount of qualifying students' gap between: (a) tuition plus fees, and (b) Pell grant dollars, is reduced by approximately half the estimated amount of state-provided Roberta Willis need-based scholarship dollars to full-time community college students.¹ Willis scholarship dollars are estimated to total \$1.5 million to these Free 2 Start qualifying students (freshmen only) in FY 19, and \$2.3 million in FY 20. To the extent that Willis scholarship dollars to the community

¹About half of the Willis scholarship dollars are excluded because approximately half of Free 2 Start qualifying students will have \$500 Free 2 Start scholarships. These students' costs are already accounted for in the estimate (see (3) above) and therefore Willis dollars they receive should not be included in this step.

colleges increase or decrease in either fiscal year, the cost of the scholarship will decrease or increase (respectively) beyond the estimate.

To the extent that Free 2 Start participants receive institutional grants, the Free 2 Start scholarship costs will be further reduced. For context, in FY 17, the community colleges spent approximately \$15.2 million on institutional aid for full- and part-time students with an expected family contribution above zero. Financial aid package information that would allow institutional grants to be appropriately deducted from scholarship costs was unavailable.

Tuition revenue impacts. The increase in community college students is anticipated to generate additional tuition revenue for that constituent unit, totaling approximately \$655,000 in FY 19 and \$1.7 million in FY 20. This figure includes tuition revenue from all sources.

A portion of the revenue gain to the community colleges will be experienced by the state universities as a revenue loss, based on other states' experiences. The level of state universities' revenue loss in Connecticut is not anticipated to reach that in other states because the Free 2 Start scholarship will have fewer potential qualifying students, due to the income limit. At most, the state universities' tuition and fees revenue loss could be estimated at \$1.0 million in FY 19 and \$1.1 million in FY 20, assuming: (1) 20 percent of the new community college enrollments would have otherwise attended a state university, the upper limit in other states; and (2) state university tuition and fees rise 3.9% annually.

To the extent that: (1) qualifying students transfer to a Connecticut community college, or (2) qualifying students attend full-time in the summer, scholarship costs will increase beyond the estimate.

New scholarship implementation plan. Finally, to the extent that a private consultant is sought, the bill's provision requiring the Planning Commission for Higher Education to develop an implementation plan for a different type of scholarship program may result in a cost within

the Office of Higher Education of up to \$50,000 in FY 19.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation in constituent unit tuition and fees, changes in the number of eligible students, and qualifying students' decisions on whether to attend a community college instead of another type of state or private institution. Community college tuition and fees are expected to increase 2.5 percent at the community colleges between FY 19 and FY 20, which is included in this estimate's calculations.

Over the longer-term, based on other states' experiences with need-based scholarships, it is likely scholarship costs would rise considerably as: (1) tuition and fees increase, (2) more qualifying students choose to attend a constituent unit college or university to save money, and (3) more students are aware of the scholarship. For example, the Oregon Promise scholarship cost approximately \$12 million in its first year (FY 17), which was \$2 million above projections, and is anticipated to cost approximately \$20 million annually in the program's second and third years.

Sources: "2015-2016 Federal Pell Grant Program End-of-Year Report," Table 20A, U.S. Dept. of Ed.
"Oregon State Grants: Oregon Opportunity Grant and Oregon Promise," Juan Baez-Arevalo, Feb. 20, 2017 presentation.
"Senate Bill 81 Legislative Report: The First Term of the Oregon Promise," Higher Ed. Coordinating Commission, December 2016.
"Tennessee Promise Annual Report 2017," Tenn. Higher Ed. Commission & Tenn. Student Assistance Corp.
Perna, Laura, "Understanding College Promise Programs," June 2016, www.collegepromise.org.

OLR Bill Analysis**sHB 5371*****AN ACT ESTABLISHING THE FREE 2 START SCHOLARSHIP PROGRAM.*****SUMMARY**

This bill requires the Board of Regents for Higher Education (BOR) to establish the Free 2 Start scholarship program for eligible community college students and appropriates \$5 million to BOR from the General Fund for FY 19 to administer it. The program awards to eligible students for their first two academic years the greater of: (1) \$500 or (2) tuition and fees after subtracting the student's financial aid (i.e., all scholarships, grants, and federal, state, and institutional aid received by the student, not including student loans).

To receive the award for both years of enrollment, the student must continue to meet the eligibility requirements established in the bill throughout the period. Students who receive an award must also participate in a volunteer-based mentorship and counseling program, as prescribed by BOR.

The bill also (1) establishes the process that BOR must use when allocating state-appropriated funds to the colleges for the Free 2 Start scholarship and (2) requires the Planning Commission for Higher Education (see BACKGROUND) to design a plan for a similar scholarship covering tuition and fees for the final semesters of associate and bachelor's degree programs offered by public, in-state colleges and universities.

By January 1, 2019, and annually thereafter, the bill requires BOR to report to the Higher Education and Appropriations committees on the Free 2 Start scholarship program.

EFFECTIVE DATE: July 1, 2018

ELIGIBLE STUDENTS

To be eligible for a Free 2 Start scholarship, a student must meet the following criteria:

1. have graduated from an in-state public or private high school within two years of enrolling in an in-state community college;
2. have enrolled as a full-time student for the first time in fall 2018 or any semester thereafter at a regional community-technical college and continue to be enrolled as a full-time student (i.e. carry at least 12 credit hours in a semester or at least 30 semester credit hours in an academic year);
3. make satisfactory academic progress while enrolled;
4. have completed the Free Application for Federal Student Aid (FAFSA) or an institutionally-approved application;
5. have an expected family contribution (EFC), as computed from the student's FAFSA, of \$5,300 or less;
6. have accepted all available financial aid; and
7. qualify as an in-state student under state law (see BACKGROUND).

INSTITUTIONAL ALLOCATION AND EXPENDITURE PROCESS

Under the bill, each community college must conduct a financial and academic audit each semester to determine (1) the number of students eligible for this scholarship and (2) the award amount for each of these students. (The bill does not specify when this audit must occur, but presumably it is at the beginning of the semester prior to tuition billing.) Additionally, each college must annually report the award data to BOR by September 1st and February 1st.

BOR must annually allocate the state appropriation for the Free 2

Start scholarship program to each regional community technical college, based on the sum of all awards made to eligible students enrolled during each semester. If the total amount of tuition and fees for eligible students exceeds the amount of the state annual appropriation in any year, then BOR must prioritize allocations using criteria that it has developed. (However, the total tuition and fees amount exceeds the awarded amount, which under the bill excludes student financial aid received.)

Each community college (1) must spend all the funds received under the scholarship program as direct financial assistance only for student tuition and fees and (2) cannot use the award to supplant any state or institutional aid that is otherwise available to eligible students.

IMPLEMENTATION PLAN

Under the bill, the Planning Commission for Higher Education must design and develop an implementation plan for a scholarship program that provides awards to students covering full-time enrollment at public higher education institutions during the (1) final two semesters of an associate degree program and (2) final four semesters of a bachelor's degree program.

The commission must do the following when forming the plan:

1. develop eligibility criteria for students after examining EFCs, as computed from a student's FAFSA;
2. specify the total award amount a student may receive and covered educational costs;
3. analyze administrative costs for the scholarship program;
4. consider funding sources to create and sustain the program; and
5. establish a timeframe for the program to begin.

By October 1, 2019, the commission must report to the Higher Education committee about the scholarship program plan.

BACKGROUND***Planning Commission for Higher Education***

The commission develops and ensures the implementation of a strategic master plan for higher education. The plan must address, among other things, degree attainment, the number of people entering the workforce, and the achievement gap. It also must provide specific strategies for meeting its goals and consider the impact of education trends on higher education in Connecticut. The commission is housed within the Office of Higher Education (CGS § 10a-11b).

In-State Student Classification

By law, with limited exceptions, in-state student classification is based on an applicant's domicile, which is his or her “true, fixed and permanent home” and the place where he or she intends to remain and return to when he or she leaves (CGS §§ 10a-28 & 10a-29).

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 11 Nay 9 (03/15/2018)